

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)



Wednesday, February 4, 2015, 7:00 a.m.
Director's Conference Room
Tucson Water, 3rd Floor
310 W. Alameda Street, Tucson, Arizona

Summary Minutes

1. Roll Call:

The meeting was called to order by CWAC Chair, Brian Wong at 6:58 a.m. Those present and absent were:

Present:

Brian Wong	Chairperson, Representative, City Manager
Mark Murphy	Representative, Mayor
Jean McLain	Representative, City Manager
Catlow Shippek	Representative, City Manager (arrived at 6:58 a.m., directly after roll call)
Mitch Basefsky	Representative, City Manager
Placido dos Santos	Representative, City Manager
Chuck Freitas	Representative, City Manager
Mark Taylor	Representative, City Manager
Alan Tonelson	Representative, Ward 1
Amy McCoy	Representative, Ward 2 (arrived at 6:58 a.m., directly after roll call)
Bruce Billings	Representative, Ward 3
George White	Representative, Ward 4
Mark Lewis	Vice Chair, Representative, Ward 5
Kelly Lee	Representative, Ward 6
Alan Forrest	Tucson Water, Director, Ex-Officio Member
Jackson Jenkins	Pima County Regional Wastewater Reclamation Department Director, Ex-Officio Member

Absent:

None

Tucson Water Staff Present:

Sandy Elder	Deputy Director
Jeff Biggs	Interim Deputy Director
Andrew Greenhill	Intergovernmental Affairs Manager
Chris Rodriguez	Water Administrator
Melodee Loyer	Water Administrator
Belinda Oden	Water Administrator
Wally Wilson	Water Administrator
Daniel Ransom	Water Conservation Supervisor
Jane Slama	Water Operations Superintendent
Shane Oman	Finance Manager
Nancy Gradillas	Lead Financial Accountant
Candace Rupprecht	Public Information Specialist
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant

Others Present:

Chris Avery	City of Tucson, Attorney's Office
Joyce Garland	City of Tucson, Budget/Internal Audit
Robert Kulze	City of Tucson, Budget/Internal Audit
Amy Stabler	City of Tucson, Ward 6
Michael Block	Metro Water
Dick Gelpke	Citizen

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2. **Announcements** – Member McLain announced the Water Resources Research Center's annual Chocolate Fest event scheduled for Friday 2/13/2015 at 3:30 p.m.
3. **Call to Audience** – No action taken.
4. **Review of January 7, 2015 Legal Action Report and Meeting Minutes** – Committee Member Tonelson motioned to approve the Meeting Minutes of January 7, 2015. Member Freitas seconded. Motion passed unanimously by a voice vote of 13-0.

Member Billings arrived 7:01 a.m.

5. Director's Report –

- a. **Mayor and Council Items** – Today Mayor and Council will consider, on consent, compensation for Tucson Water's Certified Crane Operators. The incentive pay program, if approved, would result in an additional \$5/hour while the employee is operating/maintaining the crane. There will be 3-5 Certified Crane Operators to

On February 18th, Mayor and Council will consider Tucson Water's Financial Plan, previously heard by this Committee. The Financial Plan is scheduled for both the Study and Consent agendas. Items also on this Consent agenda are an agreement with Arizona Water Banking Authority (AWBA) and a real property purchase for Well Site R-009A. The AWBA agreement would result in the sale of Long-Term Storage Credits to the AWBA over three years. The approval of the real property purchase for Well Site R-009A would result in the land needed to re-drill Well R-009A when it becomes necessary. Also on this Study Session is the update to the expansion of the Rain Water Harvesting Program. As requested by Council, Tucson Water will report on its progress of the expansion.

- b. **Department Updates** – Tucson Water currently has 55 vacancies, 19 active recruitments and 7 pending new hires.
- c. **Informational Items** – Director Forrest and Tucson Water staff member Belinda Oden spoke briefly to Tucson Water's bond refunding. Tucson Water took 50 million dollars' worth of bonds to the market and received a 2.71% interest rate, formally assessed between 4-5%. The reduction in interest rate will result in savings of 5.5 million dollars.

Water production numbers will be reported when there is sufficient data to accurately represent production.

6. Subcommittee Reports –

Technical, Policy, and Planning Subcommittee – Subcommittee Chair Murphy reported that TPP heard a presentation on the status of Tucson Water's Isolated Systems.

Finance Subcommittee – Subcommittee Chair Billings reported that Finance discussed the Cost of Service analysis and also reclaimed rates and noted that both would be coming to the Committee when finalized.

Conservation and Education Subcommittee – Subcommittee Chair Amy McCoy noted that the Subcommittee will be meeting next Wednesday at 3 p.m. and will be discussing new conservation programs, the conservation fee and strategic planning. The Subcommittee has been discussing the expansion of rain water harvesting programs.

By-Laws Ad Hoc Subcommittee – Subcommittee Chair Mark Lewis discussed the process of the meeting of the Subcommittee. The members submitted recommendations for changes to the Rules and Regulations and Code for the CWAC to consider. Additionally, Chair Lewis requested that the Committee reconsider the purpose and scope of the Subcommittee for possible future adjustments to the Rules and Regulation and formation of By-Laws. Member Freitas requested the members first consider approval of the LAR and then the recommendations from the Subcommittee. Chair Wong agreed. Member Freitas motioned for approval of the LAR with the following modifications to Item 7: that the penultimate

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paragraph be modified to reflect Member Freitas seconded the motion; and the final paragraph be modified to strike the language "at full CWAC". Motion seconded by Member Murphy. Motion passed unanimously, with specified modifications, by a voice vote of the Subcommittee members 3-0. Member Freitas motioned to approve the red-lined changes denoted in the Rules and Regulations and Code provided to the Committee. Member Murphy seconded. Motion passed unanimously by a voice vote of 14-0. The Committee discussed the status of the Ad Hoc Subcommittee and its dissolution. Member Freitas motioned to dissolve the Ad Hoc Subcommittee. Member Murphy seconded. The Committee discussed the possible need for formation of formal by-laws for the Committee. It was noted that, should the Committee deem it necessary, an Ad Hoc Subcommittee can be formed at a later date to consider the possible need for by-laws. Motion passed by a voice vote of 13-1, with Member Lewis dissenting.

RWRAC Update – Member Taylor reported that RWRAC has been focusing on their Financial Plan. The Plan consists of a 4% increase per year for 3 years. Public hearings are underway. Ex-Officio Member Director Jenkins noted that RWRAC dedicated a Finance Subcommittee to the consideration of the Financial Plan.

7. **Administrative Service Charge Presentation** – City of Tucson Budget and Internal Audit staff members Joyce Garland and Robert Kultz provided a PowerPoint presentation on the Administrative Service Charge. The presentation covered an overview of the administrative service charge, the cost allocation methodology and the process for calculating and including the administrative service charge into the budget. The administrative service charge is an allocation of Central Service administrative charges to departments that are direct beneficiaries (Grantees) to reimburse the General Fund for services received. Allocations are determined by software, bi-annually, with data from the previous fiscal year services. The double step-down allocation process used by the software was explained in detail with multiple examples. Central Services provide services (activities) such as Accounts Payable, Payroll, Investments and Auction Services to Grantees. Allocations are determined by the amount of actions received by Grantees. A handout with a detailed list of Central Services and their related activities was provided to the members. Extensive discussion was held on cost allocations, how percentages and allocations are determined, what activities count as Central Services, and how review of the service charge and negotiation is completed. It was noted that Central Services provide information on services rendered to Grantees, that information is inputted into the software which calculates the Grantees percentage of allocation for the Grantee. Discussion was held as to what services Tucson Water provides that should be considered Central Services activities and thus be eligible for reallocation in the administrative service charge. It was noted that Tucson Water recovers its costs through its rates, which City Departments pay in full. Changes in expected activity use are reflected in future allocation plans.

Recorder failure

Member Freitas requested additional time at a future meeting to continue this discussion with the possibility of providing written questions to the presenters ahead of time for discussion. Future presentations to the Finance Subcommittee as well as to the full Committee were discussed. It was noted that Committee members not on the Subcommittee would like to participate in the follow up discussion and decided that future discussion would be scheduled for the full Committee. Member dos Santos requested that the future presentation and discussion include specific real life examples of services and their resulting allocations, as well as a comparison of Tucson Water's allocation to other department's allocations.

Member McCoy departed at 8:01 a.m. and returned at 8:04 a.m.

8. **Miscellaneous Fees Presentation** – Tucson Water staff member Belinda Oden provided a brief presentation on Miscellaneous Fees. The Miscellaneous Fees are comprised of over 100 different fees that are assessed to benefiting customers for various water installations and other services received. A cost study is conducted every two years to evaluate the current fees and consider changes to the fees. This year's cost study will be reviewed by the Finance Subcommittee, and the results and recommendations will be conveyed to the full Committee thereafter. Initial analysis of this year's cost study does not indicate a need for adjusting the fees at this time.

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9. **Rain Water Harvesting Update** – Tucson Water staff member Daniel Ransom provided a summary of the progress made by Tucson Water in the expansion of the Rain Water Harvesting program. The five areas identified by Mayor and Council for focus were: expansion of the Rain Water Harvesting rebate to customers with a $\frac{3}{4}$ inch or smaller meter; including curb cuts into the rebate program; enhancing and streamlining the current rebate program incorporating feedback from current participants; work with partners to improve the low-income outreach program and; discuss the impact of Rain Water Harvesting with the flood control district. Progress has been made in each of the five areas identified by Mayor and Council as follows. Tucson Water is updating the program materials to reflect the inclusion of $\frac{3}{4}$ inch meters and smaller; curb cuts rebates will be provided to any applicant that installs an applicable permitted curb cut (it was noted curb cuts are only currently permitted in the City of Tucson); Tucson Water is working with the Wards, Southern Arizona Rain Gutters, CWAC C&E, Watershed Management Group, SmartScape and private consultants on streamlining the current program; Tucson Water is also working with Sonora Environmental Research Institute and Community Home Repair Projects of Arizona to improve the low-income outreach program; and Tucson Water is coordinating with Pima County Flood Control, the Wards and Office of Integrated Planning to consider the impact of Rain Water Harvesting on flood control. Extensive discussion was held as to the spirit and nature of the direction of Mayor and Council and how CWAC and C&E may best establish communications with Mayor and Council regarding the future of Rain Water Harvesting and other conservation programs. It was decided that the Mayor and Council Memorandum discussed is inclusive of Tucson Water's response to Mayor and Council's directive and will be submitted as is. The C&E Subcommittee will discuss communicating the Committee's thoughts on the direction of Rain Water Harvesting and other similar conservation programs to Mayor and Council.

Member Murphy departed at 8:17 a.m. and returned at 8:18 a.m.

Member McLain departed at 8:26 a.m. and returned at 8:28 a.m.

10. **Future Meetings/Agenda Items** – See projected agenda.

11. **Adjournment** – Meeting was adjourned at 8:42 a.m.

*Due to technical malfunction, only a partial recording of this meeting is available.

Approved 3/4/15